



Building Stronger State and Local Partnerships



2007 Annual Report
Office of Intergovernmental Relations



Contents

| | |
|---|------------|
| Message From The Deputy Associate Administrator | i |
| Mission Statement..... | iii |
| Organization..... | iii |
| State and Local Team | iii |
| National Environmental Performance Partnership System (NEPPS) Team | iii |
| A Review Of OIR's 2007 Accomplishments..... | 1 |
| Outreach Tours | 1 |
| National Association Outreach Meetings | 1 |
| 2007 Speakers..... | 1 |
| Communication Tools..... | 1 |
| Correspondence And Communication Of EPA Initiatives | 3 |
| EPA's Local Government Advisory Committee (LGAC)..... | 5 |
| Building Stronger Partnerships At The Local Level | 5 |
| LGAC Produces Sustainable Water Infrastructure Video | 5 |
| LGAC Looks To Produce A New Video On Recycling..... | 6 |
| Aiding EPA's Efforts To Improve Environmental Indicators..... | 6 |
| Recommendations For Improving Environmental Protection At The Local Level | 6 |
| Water Infrastructure..... | 6 |
| Recycling..... | 7 |
| Reducing Diesel Fleet Emissions | 7 |
| Improving Environmental Protection In Small Communities | 8 |
| Partnering With The Environmental Council Of The States (ECOS)..... | 10 |
| State Partnership Initiatives | 10 |
| Adding The State Perspective To EPA's Budget Process | 10 |

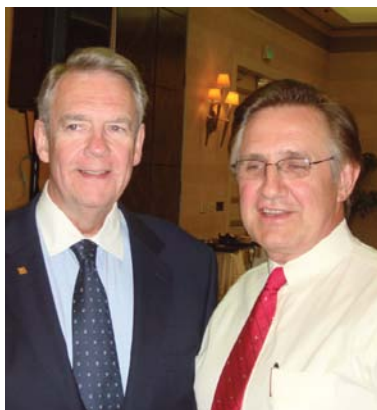
Contents (continued)

| | |
|--|-----------|
| Identifying And Reducing Waste In Processes And Reporting Requirements | 10 |
| Improving The Estimates Of The Costs Of Rules | 11 |
| Ensuring Consistent And Meaningful Oversight Of State Programs | 11 |
| Tackling Complex Environmental Issues | 12 |
| Mercury in the Environment..... | 12 |
| National Environmental Performance Partnership System (NEPPS) | 13 |
| Performance Partnership Agreements..... | 13 |
| Performance Partnership Grants | 13 |
| Maximizing PPGs Initiative | 14 |
| Partnering To Show Results From State Grant Agreements..... | 14 |
| EPA-State Collaboration To Reduce State Reporting Burden..... | 15 |
| Taking Environmental Protection To The Next Level—The 2007 NAPA Report..... | 16 |
| Closing Remarks..... | 18 |
| Looking Forward | 19 |
| Office Of Intergovernmental Relations Contact Information..... | 20 |
| Appendix | 21 |
| Outreach Meetings..... | 21 |
| Governors | 21 |
| Mayors..... | 21 |
| Council Members..... | 22 |
| Local Government Representatives..... | 23 |

Message From the Deputy Associate Administrator

As I celebrate the completion of my first year as Deputy Associate Administrator for the U.S. Environmental Protection Agency's (EPA's) Office of Intergovernmental Relations (OIR), I am pleased to provide a summary of our 2007 activities and accomplishments.

When I was appointed to this position, Administrator Johnson stressed to me his desire for OIR to strengthen EPA's relationship with its state and local partners. As a former mayor and elected state official, I know firsthand the importance of strong federal partnerships in protecting the environment and public health of our citizens. As co-regulators, state and local governments are on the front lines of delivering the environmental improvements envisioned in the Clean Air Act, Clean Water Act, and the Safe Drinking Water Act, among others.



My goal is to significantly increase interaction with state and local elected officials, which we have been accomplishing by enhancing outreach activities, attending conferences, and hosting meetings with state

and local officials when they visit Washington, DC. This interaction has enabled me to see directly how well local governments are progressing in cleaning up the environment and conserving natural resources.

I am proud of the Local Government Advisory Committee's (LGAC) record in providing timely and experienced advice to Administrator Johnson. One of the LGAC's greatest accomplishments

in 2007 was developing a video highlighting the efforts of small communities to address their water infrastructure problems.

This video, titled, *Water Infrastructure—Successful Strategies for Local Leadership*, was awarded the prestigious Telly Award, which honors outstanding local, regional, and cable TV commercials and programs. I invite you to read more about the work LGAC accomplished in 2007 later in this report, and to watch the video, which is available on EPA's Web site at: www.epa.gov/waterinfrastructure/lgac_video/index.html#video.

I am especially pleased about our work with the Environmental Council of the States (ECOS), because a sound working relationship with the states is fundamental to environmental and public health protection. ECOS is the national, nonprofit, nonpartisan association of state and territorial environmental commissioners, who are directly responsible for EPA programs delegated to the states. EPA's access to the knowledge, experience, and insight of the





individuals who manage state programs enhances OIR’s ability to better advise EPA’s leadership about the status of environmental progress nationwide. Few others are better able to advise EPA.

One of our most important endeavors in 2007 was continuing the development of the National Environmental Performance Partnership System (NEPPS), which is designed to enhance the effectiveness of EPA-state partnerships. After a decade of ongoing reforms, EPA and states now set goals and priorities together. Flexible funding provided through Performance Partnership Grants (PPGs) helps to focus resources on states’ most pressing needs, and improved performance measures better gauge progress in meeting environmental goals. Building on this foundation, we are making continuous improvements as we work with

states on such challenges as reducing reporting burden, streamlining administrative processes, and applying the concepts of performance partnerships to collaborative efforts with other agencies.

Many exciting things are being done at the state and local level, and we continue to look for new ways to strengthen relationships with our partners to provide even better service. It has been very rewarding to see these “laboratories of innovation” develop ways that improve our environment and protect public health.

Finally, OIR’s accomplishments would not be possible without the support, advice, and counsel of the professional staff in this office and in EPA’s regional offices. OIR and regional staffs’ knowledge of state and local issues and their ability to communicate this important information to EPA benefits the Agency and the federal government as a whole.

Mayor Randy C. Kelly
 Deputy Associate Administrator
 Office of Intergovernmental Relations



Mission Statement

The mission of the Office of Intergovernmental Relations (OIR) is to foster and promote partnerships between EPA and state and local governments that are essential to achieving environmental results. OIR serves as the Agency's vital link to state and local elected and appointed officials and acts as a resource for expertise and information to the Agency and our stakeholders in facilitating solutions to intergovernmental issues. These solutions help produce better environmental and program outcomes.

Organization

State and Local Team

- Manages intergovernmental relations for the Administrator and the entire Agency.
- Works with regions to build an effective Agency intergovernmental network.
- Monitors issues that impact associations and individual state and local governments.
- Ensures that EPA leaders understand the issues of governors, state legislators, state commissioners, mayors, county commissioners, and other state and local officials.
- Communicates the Agency's priorities, policies, and activities to these constituents.
- Provides prompt response and attention to the environmental and Agency policy concerns of state and local government officials.
- Manages standing federal advisory committees of local officials—the Local Government Advisory Committee (LGAC) and the Small Community Advisory Subcommittee (SCAS).
- Ensures that Agency policies consider specific impacts on state and local governments and general federalism issues, including through participation on the Agency's Regulatory Steering Committee.
- Monitors and coordinates EPA review and technical assistance on state legislation, association resolutions, and state executive policies.

- Tracks and coordinates Agency correspondence with governors and other officials.
- Manages grants to various intergovernmental organizations, such as the Environmental Council of the States (ECOS) and the National Association of Development Organizations (NADO).

National Environmental Performance Partnership System (NEPPS) Team

- Oversees implementation of NEPPS, including Performance Partnership Agreements (PPAs) and Performance Partnership Grants (PPGs).
- Provides expertise to the Agency on EPA-state relations, strategic planning, and the goals and tools of performance partnerships, and promotes policies and actions to achieve more effective EPA-state partnerships.
- Serves in a leadership capacity on EPA-state and internal EPA work groups addressing issues such as state grants, reporting requirements, and innovations.
- Develops white papers, policy memoranda, guidance, training, and implementation tools on performance partnerships and other EPA-state topics.
- Manages data gathering, research, and analytical projects or studies on topics such as performance partnerships, state reporting, and issues affecting EPA-state relations.

A Review of OIR's 2007 Accomplishments

Outreach Tours

Throughout 2007, OIR took significant steps to improve our outreach efforts with state and local officials. We attended 26 national and regional conferences, traveled to 25 cities, toured 14 local communities, and visited every EPA region. We interacted and worked with numerous governors, mayors, county commissioners, state legislators, city council members, town officials, and environmental commissioners, and worked closely with national state and local associations, holding regular outreach meetings.

National Association Outreach Meetings

In an effort to continue building partnerships through increased dialogue, OIR hosted quarterly national association outreach meetings to provide a forum for senior EPA managers to brief representatives from state and local associations on timely, high profile issues. In turn, these representatives were presented a forum to present issues they had heard from their constituents.

2007 Speakers

- **Jon Scholl**, Senior Advisor to the Administrator on agriculture issues, along with representatives from the Department of Agriculture, gave a detailed presentation on the conservation and environmental issues included in the 2007 Farm Bill.
- **Bob Meyers**, Acting Assistant Administrator for the Office of Air and Radiation (OAR), gave a presentation on EPA's initiatives to control greenhouse gases. This was followed by attorneys from the Office of General Counsel,



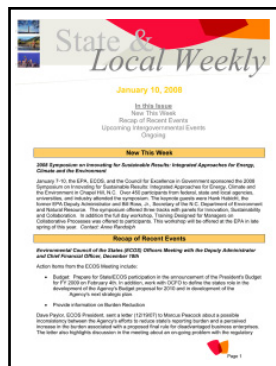
who discussed the Agency's perspective on the Supreme Court case allowing EPA regulation of greenhouse gases under the Clean Air Act.

- **Granta Nakayama**, Assistant Administrator for the Office of Enforcement and Compliance Assurance (OECA), gave a broad presentation that included his comments about the recent EPA/Department of Justice (DOJ) \$4.6 billion settlement with American Electric Power; he followed with a discussion of the year's enforcement statistics and OECA's structure for implementing its enforcement and compliance responsibilities.

Communication Tools

Throughout 2007, OIR staff shared noteworthy accomplishments and forthcoming events in the *State and Local Weekly Report*, the *NEPPS Weekly Report*, and the *Intergovernmental Relations Quarterly Newsletter*. These three publications are essential tools OIR staff uses to improve

communication and outreach efforts to EPA employees and stakeholders. The information in these reports provides insight on the level and quality of service OIR extends to those associated with the work and mission of EPA. In addition, these reports provide OIR staff an outlet to share its work product



and insightful information within their areas of expertise. Most importantly, these publications provide a forum for staff to inform others of significant and exciting events occurring throughout the states and local communities in the United States.



State and Local Best Practices: Public-Private Partnerships to Fund Energy Efficiency Upgrades in Quincy, Massachusetts

In May 2007, former Quincy, Massachusetts, Mayor William Phelan signed a \$32.8 million agreement with Honeywell International Inc. for a program to reduce energy usage and water consumption in the city's schools and municipal buildings.

This program includes upgrading more than 19,000 lighting fixtures with environmentally friendly lamps; installing energy-efficient boilers in six schools and three city buildings; replacing old, inefficient mechanical systems throughout the city; upgrading control systems; implementing a citywide Energy Management System; and installing solar technologies, energy-efficient windows and doors, water saving bathroom fixtures, and new water meters for all major water consumers.

The city of Quincy is the first municipality in the commonwealth to utilize a new Energy Conservation Law, M.G.L. c. 25A §11I (Chapter 11 of the Acts of 2006). This statute allows the city to enter into a 20-year guaranteed energy and water savings contract.

Quincy's program will reduce the electricity consumption of the buildings involved in the program by 25

percent, fuel usage by 27 percent, and water usage by approximately 35 percent. The cost savings resulting from these cuts, along with the additional revenue that will be received from the new water meters, will fund the improvements.

Quincy is also partnering with Honeywell and EPA to provide energy benchmarking for all of its facilities. This will provide the city with a performance rating for each of its buildings and allow Quincy to enhance the energy efficiency of each building. Quincy will also apply for ENERGY STAR status for some of its facilities. The ENERGY STAR Challenge calls on school districts and other organizations nationwide to improve efficiency by 10 percent or more.





Correspondence and Communication of EPA Initiatives

During 2007, OIR coordinated timely responses to more than 100 letters from governors and state and local leaders to Administrator Johnson on several EPA issues. The most frequent letter topic was the proposed changes to the National Ambient Air Quality Standards for Ozone, followed by the California Greenhouse Gas Waiver, the Mercury Rule, State Implementation Plan Approvals, National

Rural Water Funding, U.S./Mexico Border Funding, Chesapeake Bay Restoration, Superfund Sites, Brownfield Grants, and National Pollution Discharge Elimination Systems (NPDES) Permits. OIR also forwarded studies and Agency initiatives, such as the NAPA study and Burden Reduction Initiative, to state and local officials. Finally, OIR ensured that our stakeholders received timely and informative notification of breaking EPA news and important initiatives through our extensive network of regional, state, and local contacts.

State and Local Best Practices: Fayetteville, Arkansas, Hires a Sustainability Coordinator and Saves City \$273,000 in First Year

In January 2007, Fayetteville Mayor Dan Coody continued turning this small northwestern Arkansas city into a center of the sustainability movement by hiring John Coleman as the first sustainability coordinator in the state of Arkansas. In developing and implementing a sustainability plan for the city, Mr. Coleman works with city officials to creatively incorporate best practices and policies into viable programs, reducing the city's consumption of electricity and other utilities, and effectively earning his salary through the cost savings resulting from this increased energy efficiency. In the position's inaugural year, Fayetteville expects to save \$273,000, lowering its bills from \$2 million to about \$1.7 million.

One of Mr. Coleman's first accomplishments was calculating the city government's greenhouse gas emissions baseline for 2006. That baseline will be used to gauge future reductions, with a goal of reducing emissions 20 percent by 2010. These reductions will be achieved through city staff education and making use of existing technology.

Other measures spearheaded in 2007 by Mr. Coleman to increase energy efficiency throughout city government included: partnering with Johnson Controls, Inc. to perform energy audits on major government buildings; partnering with the city council to adopt a green building policy requiring all new, city-owned buildings to be Leadership in Environmental Design (LEED)[®] Silver certified; and developing a green purchasing policy and a fuel conservation policy.

City of Fayetteville - Annual Utility Cost



State and Local Best Practices: Building and Sustaining a Diverse Network of Environmentally Educated Leaders in Georgia

The Institute for Georgia Environmental Leadership (IGEL) is a leadership program dedicated to building and sustaining a diverse network of environmentally educated leaders who will help resolve Georgia's environmental challenges. It brings together a diverse group of leaders from a multitude of backgrounds who are committed to confronting environmental issues and are positioned to make meaningful contributions to the environment. Participants' backgrounds include agriculture, business, civic groups, concerned citizens, educational institutions, environmental organizations, forestry, governments, industries, and neighborhood groups,

The program is facilitated by faculty at the Fanning Institute at the University of Georgia. While it does not attempt to create a consensus of opinion or promote a specific issue, participants are better prepared to take action and make a difference in the lives of others.

Through a multisession program that takes place between May and November in various locations around the state, participants are exposed to the pressing environmental concerns in all regions of

Georgia. The program emphasizes hands-on learning techniques and opportunities to master new skills through practice. Sessions include leadership development on current environmental issues, emerging environmental challenges, environmental problem solving, communication skills, and conflict management.

Going into its seventh year, IGEL has built a network of 188 program alumni. At the last graduation in November 2007, Ben Grumbles, Assistant Administrator for EPA's Office of Water, gave the commencement address and discussed how EPA's WaterSense program coupled with water conservation efforts can help Georgia alleviate some of its water shortages.



EPA's Local Government Advisory Committee (LGAC)

Building Stronger Partnerships at the Local Level

Chartered under the Federal Advisory Committee Act (FACA) and consisting of current and former elected officials, LGAC provides advice and recommendations to EPA senior officials on a broad range of topics in an effort to assist EPA's development of stronger partnerships with state and local governments.

The following are broad accomplishments of LGAC throughout 2007:

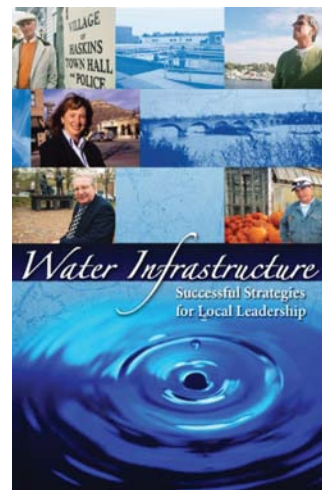
- Held three full committee meetings (published in the Federal Register).
- Increased and diversified committee membership.
- Expanded focus areas to include watersheds, coastlines, and the military.
- Advised EPA on more than 50 local environmental policies.
- Conducted more than 30 conference calls.
- Completed fact-finding and site visits to small communities in Idaho to better understand environmental issues specific to their size.

LGAC Produces Sustainable Water Infrastructure Video

One of the most notable accomplishments of LGAC in 2007 was the release of the video, *"Water Infrastructure: Successful Strategies for Local Leadership."* The video features five locally elected officials explaining how they successfully met their communities' needs for sustainable water infrastructure, in an effort to educate other communities and elected officials.



In sharing their experiences, these five local officials convey the importance of managing water infrastructure and assets; demonstrate successful examples of how they met their communities' expectations for clean and safe water, and demonstrate to other local officials facing similar problems how to meet the needs of their communities. The video has been distributed to more than 2,500 interested parties and has been featured at many national conferences. It was recently awarded the prestigious Telly Award, which honors outstanding local, regional, and cable TV commercials and programs. The video is available for viewing online at: www.epa.gov/waterinfrastructure/lgac_video/index.html#video.



LGAC Looks to Produce a New Video on Recycling

Hoping to build on the success of the water infrastructure video, EPA's Office of Solid Waste and Emergency Response (OSWER) has turned to LGAC to develop a new video highlighting local recycling "best practices." This video will demonstrate to other communities how they can improve their recycling programs. LGAC is currently studying local recycling programs, as well as how to best produce a video that increases outreach efforts and serves as a resource for educating local communities.

Aiding EPA's Efforts to Improve Environmental Indicators

The 2007 *Report on the Environment: Science Report* presented a set of indicators to assist EPA in answering questions regarding the state of the environment, and to facilitate EPA's mission. LGAC was requested to review and comment on the indicators from a local government perspective and also asked how to encourage utilization of the report at local and community levels.

After reviewing the report, LGAC offered several conclusions and recommendations to EPA, including:

- Stress the importance of environmental indicators at the local level.
- Expand groundwater indicators to include the nature, extent, and distribution of groundwater.

- Fill in the gaps of indicators for a more comprehensive analysis of the cost of action or inaction.
- Develop a scorecard that is more transparent to the public.
- Develop ocean indicators.
- The report is available online at: <http://cfpub.epa.gov/eroe/>.

Recommendations for Improving Environmental Protection at the Local Level

Water Infrastructure

LGAC recommended that, in order to promote sustainable water infrastructure, EPA should do the following:

- Use social marketing outreach to local governments emphasizing the urgency and critical need for managing water infrastructure.





- Foster local and regional strategic planning processes.
- Shift the message of sustainable infrastructure from the paradigm of cost to investment.
- Distribute the sustainable water infrastructure video to state environmental commissioners and directors.

Recycling

To improve recycling rates in small communities, LGAC recommended that EPA do the following:

- Encourage use of OSWER's recycling toolkit and calculator to aid and enhance recycling at the local level, and disseminate these tools widely.
- Ensure that the current recycling toolkit provides additional information for local governments and more case



studies of effective programs, especially among small communities.

- Focus outreach efforts and programs on small, disadvantaged, and tribal government communities.
- Highlight the economic impacts of recycling in marketing outreach products.

Reducing Diesel Fleet Emissions

In reviewing the Clean Air Act Advisory Committee's recommendations to reduce diesel emissions, LGAC recommended that EPA do the following:

- Encourage retrofits for current diesel engines because they are the best available technology.
- Implement public education efforts to inform stakeholders of the value of air

quality benefits, grant programs, and reducing emissions.

- Clarify tax code in grant funding so that companies are not discouraged from seeking grants due to tax implications.
- Reduce administrative burdens of grants.
- Ensure that grant periods are long enough to allow the market to take advantage of the opportunities.
- Ensure that incentive grants are geographically diverse.

Improving Environmental Protection in Small Communities

A subcommittee of LGAC, the Small Community Advisory Subcommittee (SCAS), was very active in FY 2007. SCAS advises EPA on ways to assist small communities, defined as those with less than 2,500 residents, in complying with environmental regulations. Approximately 26,000 small town governments in this country deal with the same environmental problems and regulations as larger cit-



Case Study: Small Communities With Big Environmental Problems



In 2007, SCAS sponsored a trip for EPA officials to two small Idaho communities, Dietrich and Castleford, and one larger city, Twin Falls, to highlight the difficulties small communities face and contrast them with those of a larger community.

City of Dietrich, Idaho

Environmental Problem: Funding Water Infrastructure Projects

The city of Dietrich, incorporated in 1909, has a population of 215 and is located on the south slope of a sagebrush-covered, extinct volcano called Crater Butte in rural Lincoln County, Idaho, about 225 miles northeast of Twin Falls. The leading employer of the town is the school district, and many

residents commute out of town for work. Dietrich installed a community drinking water system in 1992 and recently completed a lagoon system for its wastewater treatment. The town has functioned as its own contractor, using volunteers and its own equipment to do much of the work, including demolition. Mayor Jeanette Knowles is in her late 80s and is afraid she will not see the completion of the work she started with help and technical assistance from her community.

City of Castleford, Idaho

Environmental Problem: Meeting the Arsenic Rule Standards

The city of Castleford is a rural community in Twin Falls County, Idaho, with a population of 277. The city water system serves 118 customers, including two churches, one school, 12 businesses, and 103 residents. For many, community water is probably the most





ies, yet lack the manpower, expertise, and funds to handle these issues.

SCAS is developing a disaster assistance pamphlet to help equip small communities with the knowledge and tools necessary to prepare for disasters, request federal aid quickly when disasters occur, and implement recovery when disasters occur. SCAS is also in the process of compiling a compendium of state assistance grants for small communities and determining the most appropriate way for it to be distributed.



Case Study: Small Communities With Big Environmental Problems (continued)



essential public infrastructure component. Standards imposed by federal regulations can be especially burdensome for small communities such as Castelford, which is having a difficult time with the implementation of the Arsenic Rule. Castelford had to relocate its municipal well due to arsenic contamination. This relocation created a fiscal chain reaction, including possibly having to move city hall to

comply with regulations. Mayor Rita Ruffing is also the city's water system operator.

City of Twin Falls, Idaho

Environmental Problem: Maintaining City Water Systems' Current Standards

The city of Twin Falls has a population of 31,989 and is the fifth largest city in the state. Agriculture, food

processing, and retail businesses are the major contributors to the economy. Mayor Lance W. Clow gave SCAS overviews of the city's public water system and financial situation. Mr. Gregory T. Misbach, P.E., DEQ, Regional Technical Engineer for the city, indicated that the water system meets all the current standards and is expected to remain in compliance with public water system requirements in the following areas: water treatment, water source development and protection, and water distribution system integrity.



Partnering with the Environmental Council of the States (ECOS)

State Partnership Initiatives

Timely, meaningful, and appropriate consultation with the states as co-regulators is central to the EPA-state relationship and effective implementation of programs delegated to the states under federal environmental statutes. In addition to improving consultation, we are working together with states in different ways to solve challenging problems. The practical knowledge, experience, and insight of the individuals who manage state programs are recognized as vast resources for partnerships and collaboration, which changes the nature of the dialogue between EPA and the states.

Adding the State Perspective to EPA's Budget Process

EPA's budget proposals have traditionally been developed through an internal process with limited opportunity for state input. Under the leadership of EPA Chief Financial Officer Lyons Gray, the Agency's new budget process invites

"I've been attending ECOS meetings for two years now and it seems to me...there is less grouching and more listening by everyone involved...so much of what we get done at EPA depends on relationships, and relationships depend on people listening closely to each other, not just complaining about what's wrong...but, in the end, people, working together, make things happen."

EPA Deputy Administrator Marcus Peacock, reflecting on the increase in collaboration and partnership with the states as witnessed at the 2007 ECOS Annual Meeting in Sun Valley, Idaho.



the states, through ECOS, to submit budget proposals and participate in budget hearings with the Agency's senior managers. Written materials prepared by ECOS are provided to the Agency's national program managers in advance to inform the development of their budget proposals. After the initial hearing, the ECOS ombudsperson from OCIR participates in the budget discussions to ask and answer questions about state funding needs and priorities. ECOS has now participated in the development of the FY 2008 and FY 2009 budget proposals.

Identifying and Reducing Waste in Processes and Reporting Requirements

In addition to the Agencywide effort with the states to identify and eliminate unnecessary reporting requirements—the Burden Reduction Initiative—an OCIR grant sustains organizational change projects in the states following successful innovation pilots in Delaware, Iowa, Nebraska, Michigan, and Minnesota. With funds provided by EPA programs, ECOS will continue to provide



resource information, training, facilitation, and funding for organizational change projects in the states. All levels of government are currently embracing organizational change techniques, such as “Kaizen” and “LEAN,” developed and used in the manufacturing and private sectors to improve processes and reduce waste. A recent EPA Region 7 Kaizen project with the states of Iowa, Kansas, Missouri, and Nebraska received an innovation award from ECOS’ membership and is now recognized as a national best management practice. Other states are using LEAN or similar organizational change techniques with ECOS’ assistance, funded in part by EPA.

“Our experience with the LEAN process has been terrific. Given its success, I expect to see other departments queuing up for more participation. The neat thing from Tennessee’s perspective is that our introduction and use of the LEAN process was derived totally from ECOS.”

Paul Sloan
Deputy Commissioner
Tennessee Department of Environment
and Conservation

Improving the Estimates of the Costs of Rules

In late 2004, ECOS published a study on the amount of funding needed to implement federally mandated environmental regulations. The principal reason for the “at least \$1 billion national annual shortfall” reported in the study was the confluence of the growing fiscal crisis faced by states, coupled with the

increase in “unfunded” federal mandates. As federal funding for grants to the states for delegated programs continued to decline, ECOS and EPA’s National Center of Environmental Economics (NCEE) performed a series of case studies to determine the nature and extent of demands placed on states as a result of EPA regulations. ECOS and six states participated in a detailed study of four major regulations. A comparison of the data gathered with EPA’s own cost data suggests that EPA can improve how it estimates state implementation costs for environmental regulations. In 2008, ECOS, EPA, and four of the original six states will participate in Phase II of the project, which is designed to better understand state startup costs and state recurring activities and associated costs; examine ways to reduce administrative burden; and increase rule flexibility. Ultimately, the project will inform revisions to the Agency’s guidance for estimating the cost of rules.

Ensuring Consistent and Meaningful Oversight of State Programs

In 2005, EPA’s Office of Enforcement and Compliance Assurance (OECA) and the ECOS Compliance Committee developed and piloted the State Review Framework (SRF) as a tool to provide consistent national oversight of the enforcement of programs delegated to the states. The SRF provides a standard set of review elements and metrics establishing a national baseline for enforcement and compliance activities in three major environmental programs: stationary sources under the Clean Air Act, permitted facilities under the Clean Water Act, and permitted waste facilities under the Resources Conservation and Recovery Act. In 2007, EPA and the states completed SRF reviews in all 50

states and initiated a joint evaluation of the SRF, including the process, the metrics, its overall effectiveness in meeting the original objectives, and how to best improve it for the next round of program reviews. The joint evaluation is already underway and will be completed by April 2008.

A July 2007 report of the U.S. Government Accountability Office (GAO) concluded that the SRF provides the means to ensure consistent and effective enforcement among the states, but acknowledged that corrective actions identified will not be feasible because the states lack sufficient funding, staff levels, expertise, and other resources that are vital to carrying out their enforcement responsibilities. The report notes that overall funding for the same core programs increased from 1997 to 2006, but that the increases did not keep pace with inflation and the growth in environmental programs, resulting in increased enforcement responsibilities. These findings further highlighted the importance of the partnership and collaborative efforts between EPA and the states presented in this report.

Tackling Complex Environmental Issues

Mercury in the Environment

Well known for its award-winning work on the removal of mercury switches from automobiles, the Quicksilver Caucus (QSC), a coalition of state government environmental leaders, continues to provide a forum for states to work with EPA and other stakeholders to develop collaborative, holistic approaches for reducing mercury in the environment. EPA funding, provided through an OCIR-ECOS cooperative agreement, supports a number of activities. In 2007, EPA and the QSC identified state

participants for the 2007 Federal Stakeholder Panel for Managing Domestic Stocks of Commodity-Grade Mercury and the United Nations Environmental Program (UNEP) Open-Ended Working Group on Mercury, ensuring that state perspectives and experiences were part of these two processes. In addition, EPA and the QSC collaborated to design a formal “State Resources Network” of state experts who can be called upon for assistance on international mercury activities under the United Nations Global Mercury Partnerships. Currently, there is a state expert supporting a mercury products inventory in Mexico and a pilot program to reduce mercury use in hospitals in Costa Rica. In addition, a state expert participated in a technical mercury exchange workshop in Taiwan.

Starting with recommendations in the *Mercury-Added Product White Paper*, EPA and the QSC identified a set of mutual priorities for future collaborative mercury activities in 2007 and 2008. The first specific EPA-state activity was initiated in 2007 through the formation of a work group on mercury thermostats. The work group is preparing options for developing a national strategy to promote increased collection and safe management of existing mercury thermostats, and to encourage the eventual phase-out and elimination of mercury thermostat manufacturing.



National Environmental Performance Partnership System (NEPPS)

Since 1995, OIR has been leading EPA's efforts to develop and implement the National Environmental Performance Partnership System (NEPPS). NEPPS is a performance-based system of environmental protection designed to improve the efficiency and effectiveness of EPA-state partnerships. Fundamental to NEPPS is joint planning to ensure that national, regional, and state needs and priorities are addressed. By focusing EPA and state resources on the most pressing environmental problems and taking advantage of the unique capabilities of each partner, performance partnerships can help achieve the greatest environmental and human health protection. More information about NEPPS is available at: www.epa.gov/ocir/nepps/.

NEPPS staff is responsible for ensuring this system is implemented on a national level. Through policy analysis, outreach efforts, and training seminars, the staff advances NEPPS principles and the use of Performance Partnership Agreements (PPAs) and Performance Partnership Grants (PPGs).

Performance Partnership Agreements

A key tool for implementing performance partnerships on the ground, PPAs are agreements between individual states and EPA regional offices. Each PPA is different, but they typically describe jointly developed goals, objectives, and priorities; the strategies the state and EPA will use to meet goals and address them; the roles and responsibilities of each partner; and the measures the state will use to assess progress.

Nearly two-thirds of the states now negotiate PPAs with EPA regions to capture the results of their joint planning efforts. Other states and regions also conduct joint planning, but do not necessarily develop PPAs to document the results.



Performance Partnership Grants

PPGs are also an important tool for implementing NEPPS. With PPGs, states (and tribes) can choose to combine two or more environmental program grants into a single PPG. PPGs can reduce administrative costs through streamlined paperwork and accounting procedures; direct EPA grant funds to priority environmental problems or program needs; and fund multimedia approaches and initiatives that were difficult to fund under traditional categorical grants.

States have used PPG flexibility in many beneficial ways. For instance, states can use funds from one program to address a budget shortfall in another. Using PPG flexibility, states hire temporary personnel, fund emergency activities such as hurricane response, address permit backlogs, and support state training and travel. They also use PPGs to fund multimedia inspections and permitting, sector compliance/enforcement initiatives, and data system improvements.

Maximizing PPGs Initiative

In FY 2007, EPA Deputy Administrator Marcus Peacock launched an initiative to demonstrate how PPGs could be better used to support state environmental programs. Throughout the year, OIR worked with EPA and state leaders to analyze the benefits PPGs already offer, barriers to using PPGs, and possible new incentives that would make PPGs more attractive to states. Deputy Administrator Peacock and ECOS President Robert W. King, Jr. then invited states to participate in the initiative and explore ways they might get more value from their PPGs in 2008 and beyond.

As part of the initiative:

- Massachusetts is exploring how PPGs might be used to drive improvements in performance measures and reporting, as well as to strengthen the tie between strategic priorities and on-the-ground activities.
- Virginia is planning a multimedia, risk-based strategy for compliance inspections to make more effective use of resources.
- South Carolina added to the number of grants in its PPG and entered into a multiyear agreement that will reduce administrative requirements and provide greater opportunities to focus resources on priority needs.
- Minnesota added more eligible grants to their PPG and is exploring potential cross-cutting projects.
- Nebraska added another grant to its PPG that will help assure timely and continuous funding, even if funding for an individual program is delayed for some reason.

EPA will use the lessons learned from the initiative to inform improvements in policies and procedures.

Partnering To Show Results From State Grant Agreements

In EPA's FY 2007 budget, the Office of Management and Budget (OMB)—which has governmentwide responsibility for ensuring that resources for government programs are achieving their intended results—found that EPA was facing difficulties in getting states to report consistent, meaningful performance information. To address this concern, OMB directed EPA to develop a standardized template, to be used in all state grant agreements, that includes clear links to EPA's Strategic Plan and long-term and annual goals and consistent requirements for regular performance reporting, and allows for meaningful comparisons between various states' past and planned activities and performance, making progress more visible and programs more transparent.

Coordinating standardized template development and implementation has been one of OIR's most challenging efforts. EPA worked with ECOS, the





various state media program associations, and individual states to develop the template for the FY 2007 grants (the template is also included in FY 2008 grants). The template includes a standard set of measures for 14 key air, water, waste, toxics, and pesticides grant programs. Reports on the measures will provide explanatory information for situations in which a state does not implement a particular program or EPA provides only a portion (or none) of the funds that support a state's activities to achieve an environmental outcome.

The template was an interim step toward addressing the OMB requirement for a more consistent approach to conveying state grant information. During 2007, EPA and states continued their collaborative effort to develop an approach for reporting and compiling information from the template, and to develop a standardized method for organizing state grant work plans.

The map below shows the use of PPAs and PPGs in the United States as of December 2007.

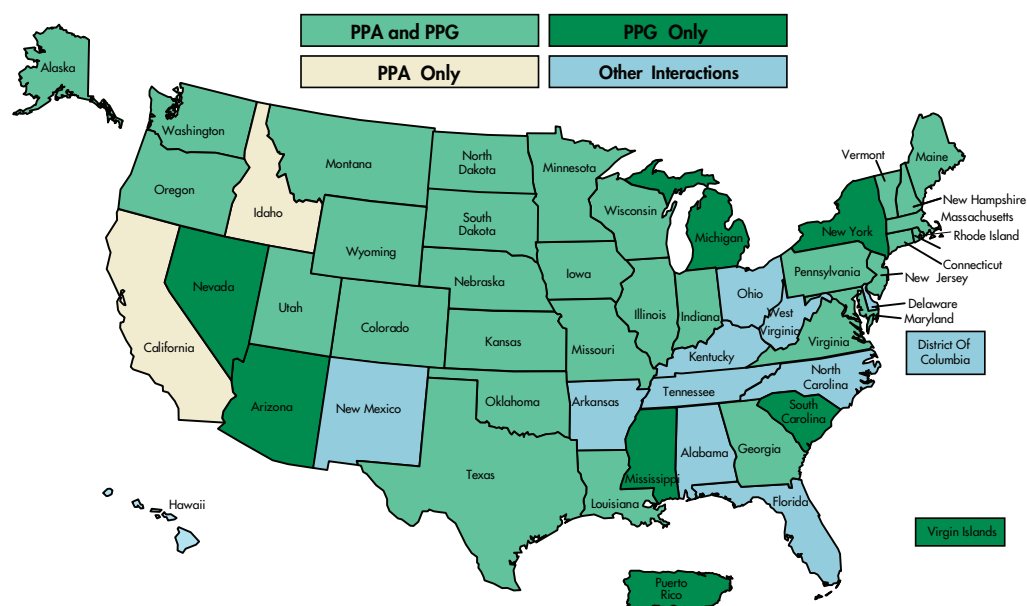
EPA-State Collaboration To Reduce State Reporting Burden

Making sure that EPA and states collect only the information that is truly needed is an important component of a credible performance management system. In October 2006, EPA and states launched an effort to address longstanding state concerns about burdensome state reporting requirements. Nearly 40 states indicated more than 200 reporting requirements they considered most burdensome and of low value in managing environmental programs. The recommendations cut across all EPA programs.

OIR oversees this Agency wide reporting burden initiative. Official memoranda and other background materials, as well

Use of Performance Partnership Tools State Environmental Agencies

Performance Partnership Agreements (PPAs) and Performance Partnership Grants (PPGs)



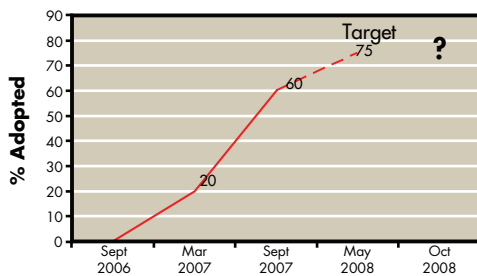
as summaries of all state recommendations and the status of their implementation can be found at: www.epa.gov/ocir/nepps/burden.html.

During 2007, EPA committed to making changes that would implement nearly 60 percent of the state recommendations by the end of 2008. Some reporting changes have already been made. Among state reporting requirements that have been eliminated is an annual report of the percentage of wastewater plants that reuse sewage sludge each year. States also no longer need to sub-

mit an annual hard copy report of air monitoring data because the information is already reported electronically. EPA has also changed the frequency of several reports. For example, states now provide financial status reports on state grants once a year instead of quarterly, and the frequency of various Superfund reports will be negotiated between EPA and individual states and tribes.

EPA continues to evaluate the remaining state suggestions for possible implementation in the future. In some cases, statutory or regulatory changes may be required.

Reporting Burden Reduction Recommendations Adopted by EPA* (239 proposed)



*will be implemented by the end of FY08.

Taking Environmental Protection to the Next Level—The 2007 NAPA Report

In May 2007, a panel of the National Academy of Public Administration (NAPA) issued a report recommending ways federal, state, and local governments can work together more effectively in solving environmental problems. The report—*Taking Environmental Protection to the Next Level: An*

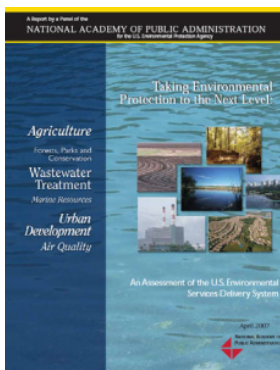




Assessment of the U.S. Environmental Services Delivery System—is the result of a study requested by OMB and authorized by Congress in EPA's

FY 2004 budget. NAPA conducted the three-year project under OIR management and oversight.

NAPA's report identifies challenges in meeting environmental goals when a wide array of federal, state, and local governments must work together, and success depends on both regulatory and



“Increasingly, EPA and states need to work with agriculture, health, economic development, transportation, energy, and other agencies on environmental matters. Such cross-agency arrangements used to be the exception, now they are becoming the rule.”

Deputy Administrator Marcus Peacock, commenting on NAPA's report in a speech to ECOS in September 2007, reinforcing the need for collaboration among many agencies.

voluntary actions. NAPA found that NEPPS has become an increasingly significant force within EPA for aligning EPA's own planning, measurement, and budgeting processes with those in the states.

To develop its insights and recommendations, the NAPA panel conducted an in-depth case study of Chesapeake Bay cleanup efforts and less detailed reviews of several other environmental programs. NAPA concluded: “Collaboration is no longer a matter of choice for EPA in deciding how environmental services are to be delivered. Collaboration is now an essential tool in addressing ecosystem and watershed-based problems that require cooperation from a wide range of actors.”

NAPA urged EPA to strengthen its role as a partnering agency and to support the intergovernmental coordinating bodies needed to ensure that regional environmental goals are met. To speed water quality improvements nationwide, NAPA recommended establishing a systematic impaired waters program. NAPA also advised EPA to enhance performance management systems, implement innovations more quickly, and continue using scientific research and data as the basis for policymaking.

The report is available online from NAPA at: www.napawash.org/resources/morenews.html.

Closing Remarks

By Randy Kelly

OIR looks forward to working diligently in 2008 to increase our effectiveness and to identify new ways to add value as we serve our state and local partners. We will examine, improve, and update our Web site and keep it current. We will continue to share best practices and highlight examples of how communities are developing sustainable methods to improve the environment and protect public health.

In 2007 we made a special effort to look for ways to partner and collaborate with other federal agencies. We will continue to look for further opportunities during 2008.

We have begun participating in EPA's Green Building Workgroup and will explore opportunities to provide information and assistance to local units of government that wish to develop green building strategies. Specific areas we are researching include efforts around the country to "green" professional sports facilities. These are high profile buildings where environmental improvements in energy savings, recycling, and water usage can be demonstrated and shared.

Again, we look forward to building new and stronger partnerships in 2008 and expanding our efforts to help accelerate the pace of environmental protection.



Looking Forward

By Chris Bliley, Associate Administrator for Office of Congressional and Intergovernmental Relations

As you can see, 2007 was a busy and productive year for OIR. Our tremendous outreach to state and local partners, their enhanced involvement in EPA policy and programs, and our strong working relationships have established a sturdy foundation for continued success in 2008.

Environmental protection is truly a partnership: EPA can only accomplish its mission by working with citizens and stakeholders, especially state and local governments. We take seriously our charge to ensure that our government partners have a seat at the table when the Agency considers critical decisions. We also want to be sure that the nation's governors, mayors, commissioners, and state legislators have a seat for

us at their table, because we recognize unique environmental solutions come from cities, towns, and states across the country.

For 2008, we look forward to greater opportunities for partnership and environmental success. It is an exciting time to be in the business of environmental protection, and it is immensely rewarding to work with the country's state and local officials to achieve our mutual goals. As we have learned, for any of us to achieve complete success, we all must be successful together.



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Appendix

Outreach Meetings

Governors

1. Governor Sarah Palin (R-AK)
2. Governor Arnold Schwarzenegger (R-CA)
3. Governor Mitch Daniels (R-IN)
4. Governor Jennifer Granholm (D-MI)
5. Governor Tim Pawlenty (R-MN)
6. Governor Haley Barbour (R-MS)
7. Governor John Hoeven (R-ND)
8. Governor Rick Perry (R-TX)
9. Governor Jon Huntsman (R-UT)
10. Governor John DeJongh Jr. (D-VI)
11. Governor Jim Doyle (D-WI)



Mayors

1. John Hickenlooper (Denver, CO)
2. David Smith (Newark, CA)
3. Patrick McCrory (Charlotte, NC)
4. Martin Chavez (Albuquerque, NM)
5. Dan Coody (Fayetteville, AR)
6. James Brainard (Carmel, IN)
7. Richard Daley (Chicago, IL)
8. Gary Becker (Racine, WI)



9. George Heartwell (Grand Rapids, MI)
10. Terry Estness (Wauwatosa, WI)
11. Al Larson (Schaumburg, IL)
12. Don L. Robart (Cuyahoga Falls, OH)
13. Marty Blum (Santa Barbara, CA)
14. Euline Brock (Denton, TX)
15. Christopher L. Calbaldon (West Sacramento, CA)
16. Joseph M. Delfino (White Plains, NY)
17. Kenneth A. Flatto (Fairfield, CT)
18. Kevin C. Foy (Chapel Hill, NC)
19. Mufi Hannemann (Honolulu, HI)
20. Kenneth Fallows (Wadsworth, OH)
21. Marilyn Murrell (Arcadia, OK)
22. Chuck Reed (San Jose, CA)
23. Dale M. Uehling (Ottumwa, IA)
24. Jamie Mayo (Monroe, LA)
25. George Grace (St. Gabriel, LA)
26. John White (Ames, TX)
27. W.J. Jones (Coahoma, MS)
28. James Perkins (Selma, AL)
29. [VICE MAYOR] Lori Van Arsdale (Hemet, CA)
30. R. T. Rybak (Minneapolis, MN)
31. Jerry Sanders (San Diego, CA)
32. Willie Burns (Washington, GA)
33. Jennifer Hosterman (Pleasanton, CA)

34. Elizabeth Kautz (Burnsville, MN)
35. Doug Palmer (Trenton, NJ)
36. Robert J. Duffy (Rochester, NY)
37. Rita Mullins (Palatine, IL)
38. Tom Barreto (Milwaukee, WI)
39. Michael Belsky (Highland Park, IL)
40. Kevin Romick (Oakley, CA)
41. Delia Perkins (Princeville, NC)
42. Milton Tutwiler (Winstonville, MS)
43. Patrick Campbell (Jonestown, MS)
44. Eulis A. Willis (Navaza, NC)
45. Frank Jackson (Prairie View, TX)
46. Ron Dellums (Oakland, CA)
47. Bill White (Houston, TX)
48. J. Christian Bollwage (Elizabeth, NJ)
49. Roosevelt Dorn (Inglewood, CA)
50. Graham Richard (Fort Wayne, IN)
51. Roger Burne (Vernon Hills, IL)
52. Jim Schmitt (Green Bay, WI)
53. Patrick H. Hays (North Little Rock, AR)
54. William Phalen (Quincy, MA)



Council Members

1. Debbie W. Quinn (Fairhope, AL)
 2. Sandy Colvin Roy (Minneapolis, MN)
 3. Claude Mattox (Phoenix, AZ)
 4. Makia M. Epie (Cedar Hill, TX)
 5. Joe Moore (Alderman, Chicago, IL)
 6. Debbie Kring (Mission, KS)
 7. Dena Mossar (Palo Alto, CA)
 8. Nancy Carter (Charlotte, NC)
-
9. Margaret Clark (Rosemead, CA)
 10. Robert A. Coleman (Paducah, KY)
 11. Henrietta Davis (Cambridge, MA)
 12. Judith Davis (Greenbelt, MD)
 13. David M. Mosby (Oak Ridge, TN)
 14. Clair Muller (Atlanta, GA)
 15. Robert J. Stevenson (Rochester, NY)
 16. Randal Wallace (Myrtle Beach, SC)
 17. Gene Belmares (Laredo, TX)
 18. Bill Spriggs (Chair, Merced County Assn. of Govts.-Merced, CA)
 19. Kathy Jimino (Rensselaer County, NY)
 20. John Drobinski (Sudbury, MA)
 21. Nancy Goulard (Dighton, MA)



Appendix (continued)



Local Government Representatives

1. Arturo Duran (Laredo, TX)
2. Horacio DeLeon, Jr. (Laredo, TX)
3. Hector F. Gonzalez (Laredo, TX)
4. Miguel Pesardor (Laredo, TX)
5. Riazul Mia (Laredo, TX)
6. Allyn Howe (Laredo, TX)
7. Yakov Shadevich (Laredo, TX)
8. John Creer (Itta Bena, MS)
9. Willie O'Neal (Jackson, MS)
10. Derrick Starling (Jackson, MS)
11. Jim Marshall (Merced, CA)
12. Hicham Eltal (Merced County Association of Governments [MCAG])
13. Candice Steelman (MCAG)
14. Lynnette Gerbi (MCAG)



15. Marjie Kirn (MCAG)
16. Richard Green (MCAG)
17. Jesse Brown (MCAG)
18. Christopher Cooper (Gainesville, FL)
19. Peter Kavounas (Glendale, CA)
20. Sandra L. Fisher (Miami, FL)
21. Keith Hite (Enola, PA)
22. Debbie Driskell (Fishers, IN)
23. Jim Fisher (Zim, MN)
24. Michael Cochran (Blacklick, OH)
25. David Fricke (St. Michael, MN)
26. Jeffrey Haber (Albany, NY)
27. Olen Kibler (Newman, IL)
28. Larry Merrill (Lansing, MI)
29. Bart Russell (West Hartford, CT)



30. Bryan Smith (Springfield, IL)
31. John H. Spinks, Sr. (Fishers, IN)
32. Richard J. Stadelman (Shawano, WI)
33. Ken Yantes (Berthold, ND)
34. Nancy Barsness (Cyrus, MN)
35. Bruce Tobey (LGAC)
36. Brad Swing (Boston, MA)
37. Alan Cathcart (Concord, MA)
38. Thom Duga (Commonwealth of Massachusetts)
39. Marcia Crowley (Wayland, MA)
40. Tom Philbin (Massachusetts Municipal Association)





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